



Dan Ryan, left, and Patrick Lipa are owners of the franchise College Hunks Hauling Junk. They launched their business in April after graduating from Wayne State and being unable to find jobs. (REGINA H. BOONE/Detroit Free Press)

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Starting in business during a credit squeeze

Michigan entrepreneurs show resourcefulness to launch amid a recession

BY KATHERINE YUNG
FREE

Consumers and businesses are hoarding their precious dollars. Uncle Pat is no longer willing to back your latest venture. And the economy is so grim that it's earned the nickname the Great Recession.

Launching a business during this turbulent time may seem like the last thing anyone should be doing. But that hasn't stopped many Michiganders from testing the startup waters.

The entrepreneurial bug has infected hundreds of the state's residents, many of them seeking new careers outside Detroit's shrinking auto industry. This summer, three daylong sessions at Wayne State University, packed with information about starting your own company, drew 1,220 people.

"The interest is so great that it's almost shocking," said Randal Charlton, executive director of TechTown, an incubator for startup firms located at the university. "In a down economy, people have two options when they lose their job. They can either go look for another job or create their own job."

Twentysomethings Dan Ryan and Patrick Lipa chose the latter. In late April, they opened the doors of their St. Clair Shores franchise business, College Hunks Hauling Junk. Though they've had to reduce their prices a little bit, business has exceeded their expectations.

"It's definitely extremely scary when it's a pretty bad economy. But we figured we'd roll the dice," said Ryan, who has shed 6 pounds from carrying dozens of old refrigerators and sofas out of people's homes. "I'm so glad I did it."

Resourcefulness needed in recession

Forming a new business in the midst of a depressed economy isn't for the faint of heart. Just ask Paul Chapman.

The 51-year-old Rochester entrepreneur hopes to sell early next year a new system that protects and secures anything that people put in the back of their pickup trucks. With credit for startup companies scarce, he has adjusted his business plans as economic conditions have worsened.

Instead of simply paying someone to make his product, Chapman forged partnerships with two local manufacturers who are contributing tooling and cash to the business in exchange for stakes in Cargo Solutions Group LLC. And the Sterling Heights company is closely watching every penny and using more conservative sales estimates to guide business decisions.

"The economy has certainly made it more difficult," said Chapman, a former General Motors Corp. engineer. "My sense is that we would have been on our feet quicker" if the recession hadn't hit.

Chapman is one of hundreds of Michiganders attempting to do the seemingly impossible: launch a successful business in one of the worst economies since the Great Depression.

This kind of activity is critical to Michigan's recovery efforts. With the state reeling from the auto industry's massive downsizing, many see entrepreneurs as the key to creating industries and, most important, jobs.

Research from the Small Business Administration supports this view. It found that job growth during the last two recessions only occurred at businesses with fewer than 20 employees.

But overcoming today's financing squeeze and soft sales environment requires lots of ingenuity.

"It's going to be harder," said Thomas Kinnear, executive director of the Zell Lurie Institute for Entrepreneurial Studies at the University of Michigan. "You have to be a little more creative."

To be sure, the downturn isn't all bad. It provides startup companies with opportunities they can't get during boom times, such as less-expensive office leases and lower salaries for talented new hires.

Recessions also can reduce the competition. Mel Ettenson, a small-business counselor at the Detroit chapter of the nonprofit group SCORE, has noticed a decline in the number of people looking to start a business.

On the flip side, however, selling new services or products is much more difficult, thanks to tight budgets. And capital usually flows to only the most promising startups.

That's not to say it can't be done. Several major companies got their start during recessions, such as Microsoft, Revlon and Texas Instruments.

Today, though, success often hinges on entering industries with bright prospects like health care and information technology, Kinnear said.

That's what Mike Manley of Rochester Hills discovered the hard way. The 54-year-old inventor was part of a small group of people who tried to sell a new technology to make interior decorative auto parts.

Though their product would save automakers money and had been successfully tested, the top suppliers they met with lacked the money to make any deals. Attempts to obtain capital also fizzled since most investors have shied away from auto suppliers.

"We just couldn't get it to the next level," said Manley, who's now looking for a job and taking computer classes to beef up his skills.

The recession also made things harder for Ryan and Lipa. They opened the first Michigan franchise of College Hunks Hauling Junk this spring after they couldn't find full-time jobs.

Four banks rejected their loan request. But they finally found one that said "yes."

"No one was really lending," said Ryan, whose cousin Nick Friedman helped start College Hunks in 2003.

"It was so hard."

With the help of their parents, the longtime friends and Wayne State University graduates wound up investing a little more than \$100,000 into their St. Clair Shores company. They take unwanted items from homes and businesses, donating or recycling some of the stuff.

So far, business has been three times better than expected, a reward for their sore muscles and aching backs. "Everyone is tightening their belt," Ryan said. "But there is always a niche for our service.

Everyone's got junk."

Some entrepreneurs like Anne and Tim Bradley are hedging their bets by holding on to their full-time jobs. This month, the Ferndale couple launched www.thepremiumpet.com, an online retailer of upscale products for cats, dogs and birds.

The poor economy has made vendors more willing to sell to a new business like theirs, said 26-year-old Anne Bradley, who works at a nonprofit organization.

With capital in short supply, the Bradleys -- passionate owners of an Italian greyhound and a Jack Russell terrier -- are using their savings to finance the venture. To keep costs low, they have switched to a less-aggressive advertising strategy. They have also lowered prices a little.

The first-time entrepreneurs didn't want to wait until the economy improved to start their business, fearing someone else would get the same idea.

"I'm pretty confident it will grow," said Tim Bradley, a 28-year-old attorney. "Ultimately, there's a market for these luxury pet goods."

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